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PART III

DEPARTMENT OF AGRICULTURE

Food Safety and Quality Service

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MEAT AND POULTRY INSPECTION

Recommended Changes; Solicitation of Views

DEPARTMENT OF AGRICULTURE

Food Safety and Quality Service

RECOMMENDED CHANGES IN MEAT AND POULTRY INSPECTION

Solicitation of Views

AGENCY: Food Safety and Quality Service, United States Department of Agriculture.

ACTION: Solicitation of Views.

SUMMARY: The consulting firm of Booz, Allen, and Hamilton, Inc. was hired by USDA to study the meat and poultry inspection programs conducted under the Federal Meat Inspection Act (21 U.S.C. 601 et seq.) and the Poultry Products Inspection Act (21 U.S.C. 451 et seq.), for the purpose of finding possible ways to lessen the cost of inspection and remove any unnecessary regulatory burden placed on industry while assuring no loss of consumer protection. The firm has finished its study and prepared a detailed report which is summarized below. The report contains recommendations, some of which, if accepted by the Department, would cause significant changes in the way inspection is carried out. In order to conform with USDA's commitment to encourage citizen participation and to assist the Department in deciding what actions should be taken concerning these recommendations, the Department hereby announces three briefing meetings to familiarize interested parties with the content of the recommendations, announces a public hearing to discuss the recommendations, and further solicits written views of all interested parties.

DATES AND ADDRESSES: Comments must be received by October 31, 1977.

Send comments to: Hearing Clerk, U.S. Department of Agriculture, Washington, D.C. 20250.

Briefing meetings will be held, beginning at 10 a.m.:

August 17, 1977—Interdepartmental Auditorium, Conference Room B, 1301 Constitution Avenue NW., Washington, D.C.

August 23, 1977—University of Illinois, Circle Campus, Room 605, Chicago Circle Center, 750 South Halstead Street, Chicago, Ill.

August 26, 1977—U.S. Custom Building, Room 503, 555 Battery Street, San Francisco, Calif.

A Public Hearing will be held, beginning at 10 a.m.:

September 26–27, 1977—Jefferson Auditorium, South Agriculture Building, 14th and Independence Avenue SW., Washington, D.C.

For information on making reservations to speak at public hearing, see supplementary information.

FOR FURTHER INFORMATION CONTACT:

Dr. Arnold Giesemann, Acting Assistant to the Deputy Administrator, Meat and Poultry Inspection, Food Safety and Quality Service, USDA, Room 4863, South Building, Washington, D.C. 20250 (202–447–4565).

SUPPLEMENTARY INFORMATION: The entire report (approximately 700 pages) is available free, one copy to a request, by contacting Mr. Robert Norton, Acting Director, Information Division, Food Safety and Quality Service, U.S. Department of Agriculture, Washington, D.C. 20250, 202–447–3977.

To make a reservation to speak at the public hearing, contact Dr. W. J. Minor, Chief Staff Officer, Issuance Coordination Staff, Meat and Poultry Inspection Program, Food Safety and Quality Service, U.S. Department of Agriculture, Washington, D.C. 20250, 202–447–6189. A time period will be set aside at the public hearing for coments on speeches, to present rebuttals, etc. No reservation is required to speak during this time.

The three briefings will be held for the purpose of further acquainting the public with the details of the recommendations.

USDA has a commitment to encourage citizens participation, and, in keeping with that commitment, the public's views on these recommendations are solicited.

Done at Washington, D.C., on July 28, 1977.

ROBERT ANGELOTTI,
Administrator, Food Safety and Quality Services.

SUMMARY

A STUDY OF FEDERAL MEAT AND POULTRY INSPECTION SYSTEM BY BOOZ, ALLEN & HAMILTON, INC., JUNE 1977

Recommendations for substantial improvements in the Federal Meat and Poultry Inspection Program are contained in a three volume report submitted to the U.S. Department of Agriculture (USDA) by a management consulting firm in mid-June. The recommended program changes could save USDA $210 million (in 1976 dollars) by 1985, with no loss in consumer protection, according to the study conducted by Booz, Allen and Hamilton, Inc.

The study of the inspection system was initiated last year when USDA officials became increasingly concerned over the cost and efficiency of the program. The $371,848 contract was awarded to Booz, Allen in September 1976.

During the course of the 9-month study, the Booz, Allen team made extensive field visits to interview Federal and State inspection officials, industry leaders, consumer groups, officials of employee organizations, and Congressional leaders. Members of the team spent time in every region of the country and visited a variety of meat and poultry slaughtering and processing plants representative of all parts of the industry.

Volume I of the report is an indepth description of the Meat and Poultry Inspection Program (MPI), including:

The legislative history and goals of the Program; Current inspection activities; Organization of the Program; and Current Federal costs and projected costs to 1985.

LEGISLATION MANDATED INTENSIVE INSPECTION

The report traces the history of the inspection program back to the Meat Inspection Act of 1890. Aimed at promoting exports of U.S. meat products to other countries, the Act contained very limited provisions for meat inspection to protect consumers in the United States.

The Meat Inspection Act of 1906 remained the major piece of legislation regulating meat inspection for more than 60 years. The foundation of modern meat inspection, the 1906 Act, required mandatory inspection of all meat and meat products moving in interstate commerce, provided for inspection of the product at numerous points in the manufacturing process and required label inspection.

Poultry inspection, however, was a voluntary program until the passage of the Federal Poultry Products Inspection Act of 1957. That Act required ante-mortem inspection of poultry for slaughter to the degree determined necessary by the Secretary, and post-mortem inspection of all slaughtered poultry moving in interstate commerce, as well as inplant checks, review of labeling and inspection of imported products.

The 1960's brought the major legislation guiding the inspection program today. The Wholesome Meat Act of 1967 was passed to close gaps in existing legislation and to coordinate the provisions of previous meat inspection acts. It was aimed at assuring uniformity in regulation of goods shipped in interstate, intrastate, and foreign commerce.

The 1967 Act provided the backbone for Federal/State cooperation, giving explicit instructions on cooperative arrangements. State programs deemed "equal to" the Federal inspection program could continue to inspect products, but those products could be shipped only within the State. Federally inspected products were permitted to travel interstate, however. The Federal program was given the authority to take over a State program, or "designate" the State, if its inspection program was not on a par with the Federal program.

Other provisions of the Act made antemortem inspection of all animals mandatory instead of permissive, required more extensive review of foreign products, provided stronger enforcement tools for USDA, and gave the Department new regulatory authority over allied industries, such as transporters and other food handlers.

The Wholesome Poultry Products Act of 1968 is similar to the 1967 meat act in both its basic intent and provisions. The poultry act, however, went further in its attempts to ease the burden on small businessmen by providing certain exemptions from inspection for low volume processors.

Cooperative efforts between Federal and State inspection authorities were encouraged through the Talmadge-Aiken Act of 1962. The Act, which was a general bill dealing with cooperative agreements for the marketing of agricultural products, was applied to meat and poultry inspection after the significant acts of 1967 and 1968. State inspected plants saw the Talmadge-Aiken option as a means of obtaining Federal inspection under an

existing State program, thus enabling the plant to ship interstate.

MEAT AND POULTRY INSPECTION PROGRAMS SEPARATE UNTIL 1968

The report outlined the development of the meat and poultry inspection programs, which remained two distinct systems within the Agriculture Department until the late 1960's.

The meat inspection program began as a veterinary-directed group within USDA and was not connected with marketing groups. The poultry inspection program, on the other hand, began as part of an agency within USDA with markeing as well as inspection functions.

Both programs became part of the Consumer and Marketing Service, formed in 1964, while still remaining organizationally separate except for certain staff activities. Feeling the pressures created by the new meat and poultry legislation, the Department fully merged the inspection systems in 1968 into the Meat and Poultry Inspection Program (MPI), a system with a field structure made up of eight regions containing 118 circuits.

In 1972, the meat and poultry inspection programs were marged with certain animal health programs to form a new agency, the Animal and Plant Health Inspection Service (APHIS). Under APHIS, the field structure was reorganized into five regions, 35 areas, and 222 circuits.

With the reorganization of 1977, MPI was split from the other parts of APHIS and combined with other food inspection, standardization and grading services to form the Food Safety and Quality Service.

INSPECTION COSTS ROSE OVER 40 PERCENT IN PAST 5 YEARS

The recognized trend toward spiraling costs for meat and poultry inspection was confirmed in findings of the consulting firm, as presented in Volume I of the report. Federal expenditures for meat and poultry inspection increased 43 percent over the last 5 years to $202.8 million in fiscal year 1976. Inflation alone was estimated to account for over half of this increase.

The major portion of the expenditure —$173.7 million—supported Federal inspection. The remainder supported State inspection programs deemed "equal to" the Federal system, for which the Federal Government pays 50 percent of the costs.

While the Federal Government may "designate" an unsatisfactory State program, a State may also request that MPI take over its inspection system. When a State does this all costs for inspection are then paid by the Federal Government. In recent years many States have voluntarily given up their inspection programs as a means of conserving State funds without also cutting out a vital service to consumers.

Twenty-four States currently have designated poultry inspection programs and 17 have designated meat inspection programs. Almost one-third of the total meat and poultry program designations have occurred since 1975, and all have been voluntary.

The growing number of State designations has had an impact on MPI greater than a simple increase in Federal expenditures. Along with State programs came many very small, lower volume plants. Since State inspected plants may ship only intra- and not intrastate, State systems are made up largely of smaller plants.

The past 5 years have seen a 53 percent increase in the number of federally inspected plants, with only an 8 percent increase in the volume of production. This 28 percent decrease in the average volume per federally inspected plant reflects the influx of smaller plants into the Federal system.

This trend is also apparent in comparing the growth of the inspection force to the huge increase in the number of federally inspected plants. Between 1972 and 1976, the number of inplant inspectors had increased by only 16.6 percent, covering the more than 50 percent increase in plants. As small plants entered the system, less inspection time per plant was required.

The smaller increase in manpower requirements is also related to steps taken by MPI in this direction. The program developed new work standards for inspectors, made greater use of existing manpower on an overtime basis, and increased usage of veterinarians and food inspectors on a patrol basis to cover several plants in a geographic area. This use of patrol inspectors, who cover more than one plant requiring less than 1 full man-year of inspection, is expected to continue. In fiscal year 1976, patrol inspectors accounted for 55 percent of total Federal inspection.

The changes brought about by State designations had a greater impact on the red meat industry than the poultry industry. There was a 49 percent increase in the number of red meat plants changing from State to Federal inspection since 1972, but less than a 1 percent increase in the number of federally inspected poultry plants. Combination plants in which both meat and poultry products are manufactured were affected the most, showing a 114 percent increase in the number of plants coming under Federal inspection.

FEDERAL SHARE OF INSPECTION COSTS INCREASED

The costs for inspection of meat and poultry are shared by the Federal Government, State governments, and the industry. Total collective expenditures for inspection have increased 37 percent over the last 5 years to $257.7 million in fiscal year 1976.

As more States have eased their own budgetary pressures through voluntary designation, the Federal costs for inspection have correspondingly increased. In fiscal year 1976, the Federal share amounted to nearly 80 percent, a proportion that has increased almost 4 percent since 1972.

Undesignated States spent $29.1 million to maintain inspection programs "equal to" the Federal system in fiscal year 1976—an increase of 8 percent in actual expenditures over 1972. Viewed as a proportion of total inspection costs, however, State expenditures have decreased almost 3 percent since 1972 to 11.3 percent of the total in fiscal year 1976, reflecting the State designations during this time.

Industry pays part of the inspection budget by reimbursing MPI for any inspection overtime required and for voluntary inspection activities. Such reimbursements cost industry $25.8 million in fiscal year 1976, an increase of 25 percent over fiscal year 1972. During the 5 years studied, however, industry expenditures as a proportion of total costs have remained relatively stable at about 10 percent.

FEDERAL INSPECTION FOUND LABOR INTENSIVE

Meat and poultry inspection was found highly labor intensive with almost 90 percent of the total expenditures during 1976, excluding grants to States, allocated to salaries and benefits. This is the result of the many activities mandated by the inspection program's enabling acts. The cost of providing inspectors in meat and poultry plants accounted for nearly 70 percent of total Federal inspection expenditures during fiscal year 1976, a percentage of the total which has remained relatively constant since 1972. This percentage rises when grants to States are considered, since part of the grants includes funding for inplant inspection. Federal grants to States totaled $29.1 million in fiscal year 1976.

The report related the rapid rise in inspection costs over the past 5 years to two major factors—State designations and inflation.

As noted, smaller plants entering the system through State designations have resulted in a lower average volume of inspected product by each inspector. Coupled with this is spiraling inflation, estimated to account for over half of the increased dollar expenditures over the past 5 years.

As projected by Booz, Allen, by 1980 Federal inspection costs will leap to at least $211.8 million (in 1976 dollars) and $219.2 million by 1985. The projections were based on expected future trends in population, meat and poultry production and consumption, designation of State programs, and costs of inspection activities. The figures represent a projected increase of 5 percent by 1980 and 8 percent by 1985.

SEVEN AREAS CHOSEN FOR FURTHER STUDY

After its extensive study of the meat and poultry inspection system, the Booz, Allen study team drew four major conclusions about the program's operations and structure. These are discussed in Volume III.

First, the consulting firm found that meat and poultry inspection activities are consistent with legislative mandates. The operations of program personnel are conducted to detect major forms of adulteration and misbranding, as re-

quired by the agency's enabling legislation.

The second finding of the researchers related to the growth of the inspection program. The report noted that growth over the last 5 years has been significant and predicted continued growth through 1985, as more States give up their inspection programs.

The need for improvements in management structures and activities is cited as the third finding. Work loads in the field are not distributed uniformly. In addition, Program execution is not well integrated with planning and budgeting in MPI, nor supported by adequate information about the Program. Program expenditures are not analyzed in enough detail to aid managers in overall control.

Finally, the firm found that several key aspects of MPI operations and management offer opportunities to improve cost effectiveness. Seven areas of MPI operations and management, accounting for 92 percent of the Program's operating costs in FY 76, were chosen for the study.

Volume II provided a detailed discussion of these alternatives. Each area was evaluated in terms of its advantages and disadvantages, its potential for cost avoidance, potential reactions of interest groups, and ultimately, its viability.

Volume III contained Booz, Allen's recommendations to the Department of Agriculture and detailed strategies for implementation. The final volume also served as an executive summary of the first two volumes, building upon the earlier reported findings and conclusions.

In making its evaluations, Booz, Allen assumed that inspection will continue to be required in all but so-called custom exempt plants in which the law currently permits custom slaughter of a consumer's own meat animal with only periodic surveillance. The introduction to Volume II noted that the tremendous influx of smaller plants into the Federal system over the past 5 years has greatly reduced the efficiency of the Federal program on a cost-per-pound-inspection basis. In some cases, providing inspection to very small plants is perhaps as much as 1900 percent less efficient than to very large plants. This, in essence, amounts to a subsidy to small industry, the report stated.

However, any recommendation related to smaller plants, which some have suggested should be excluded from inspection, was deemed to be outside the scope of the study. The findings relate to the current scope of MPI activities—including the inspection of small plants with their own unique considerations.

The seven aspects of MPI operations and management chosen for further study accounted for 90 percent of its operating costs in FY 1976. They were:

Processing inspection
Post-mortem poultry inspection
Ante-mortem red meat inspection
Post-mortem red meat inspection
Management activities
Management structures
Cross utilization of Federal and State inspection personnel

A summary of the findings and conclusions regarding each alternative follows. An extensive discussion of each can be found in Volume II with an abbreviated analysis in Volume III.

PROCESSING INSPECTION—A MONITORING APPROACH

A monitoring approach to processing inspection in which an inspector makes use of a firm's quality control records, accompanied by frequent verification samples and a progressive economic penalty system, was considered to be the alternative offering the greatest potential benefit to the inspection program and to the consumer.

The system places the burden of proof of compliance with Federal regulations on the shoulders of industry. It is their responsibility to provide USDA with acceptable evidence of compliance, which is to be monitored and verified by the inspection program.

Since the only means of providing this evidence under existing technology is through quality control (q.c.) records kept by the industry, the proposed system, in essence, mandates quality control programs throughout the industry. The system is designed to end the practice of using USDA inspectors as a firm's quality control manager.

The report asserted that a voluntary approach to q.c. is not practical. A mandatory program would place all of the industry on an equal footing and would enable MPI to make accurate predictions of inspection workload.

The report does not recommend that "total" quality control systems be required. Much of the industry would not be able to implement such programs within the 1985 time frame considered by the consulting firm.

Instead, a comprehensive system was recommended, embracing all areas of product flow. Every firm would be required to maintain q.c. systems for microbiological monitoring, processing temperatures, net weight, and fat and added water. Other systems may be required in specific plants, such as a mandatory q.c. system accompanying use of nutrition labeling or a system where restricted ingredients are in use.

The proposed system moves MPI somewhat closer to the approach taken by the Food and Drug Administration (FDA), Department of Health, Education, and Welfare, which regulates all foods other than meat and poultry. The FDA system, in accordance with that Agency's legislative charges, checks food establishments at infrequent intervals, depending upon the risk associated with the specific commodity present. An FDA inspector may inspect a "very high risk" establishment, such as a manufacturer of milk products, twice a year, while visiting a "low risk" establishment, such as a soft drink bottler, only once every few years.

FDA depends heavily on the industry to police itself, but it has a wide range of enforcement tools available when necessary. Legislation pending in Congress would add substantially to the FDA's arsenal, giving it the authority to, among other things, demand access to a firm's processing records and require companies to have "adequate" q.c. systems.

The differences in the kind and degree of risk between meat and nonmeat items precluded the use of an FDA-type system for meat and poultry inspection, the consulting firm concluded. The greater potential risk of human disease caused by foods of animal origin is reflected in the legislation which governs the regulations of the differing commodities, with MPI required to conduct much more intensive inspection than FDA.

However, Booz, Allen indicated that the FDA approach, which more fully uses industry's quality control records, could be adapted for use by MPI. The program proposed for USDA must be accompanied by a broad array of new enforcement tools. It was recommended that MPI devise a plant rating system tied to a progressive enforcement system that includes economic penalties, such as a charge back for extra inspection time spent in problem plants.

The program would require intensive monitoring of the q.c. programs by MPI. Inspection efforts could be concentrated on three major areas: monitoring of procedures and data; spot checking (verification inspection) of the product; and conventional inspection of the plant for requirements not included within the q.c. program.

MPI would benefit from greater staffing flexibility and gain the ability to focus better on problems. In addition, the inspection program would be better able to stay within Administration's personnel ceiling while meeting its legislative mandates.

Benefits would also accrue to industry and the consumer. Mandating quality control programs would result in a more consistent product entering food channels, with less throwaway at the plant. The inspection force would utilize more objective standards—relying to a greater extent on written documentation and sample analysis. The system would also provide for a greater separation of the inspector and the plant.

Booz, Allen predicted that the proposed system could result in an average 32 percent reduction in MPI manpower per plant. When implementation costs are added in, for needs such as special training for inspectors and increased sample analysis, a cumulative cost avoidance of nearly $116.5 million (in 1976 dollars) is estimated through 1985, assuming implementation by 1980.

The report acknowledged major difficulties in implementation of such a program by small operators and suggested special arrangements, such as personnel sharing or the use of part-time personnel from the academic community. Booz, Allen proposed a delayed phase-in of mandated programs to allow additional time for smaller operators to develop the required capabilities.

The recommended changes have implications for MPI staffing requirements.

Inspectors will need a fundamental knowledge of quality control programs.

New hires for processing inspection should have completed at least 2 years of college with course work in food technology, statistics and biological sciences, the report stated. Slaughter inspectors would be eligible to cross over into processing inspection only if those requirements are met. Greater opportunities for advancement should also be available in order to attract college graduates. Management positions should be reevaluated to eliminate requirements, where appropriate, for veterinary medical expertise.

The proposed system would require consultation with Congress since such a program was not discussed with Congress during passage of MPI authorizing legislation.

POULTRY POST-MORTEM INSPECTION—A BI-LEVEL SYSTEM

A bi-level approach to poultry inspection—utilizing a specially adapted "continuous sampling plan" (actually, sampling from a continuous production line) —was recommended for intensive field study by the Booz, Allen team.

The system is feasible, the report concluded, because of the nature of poultry condemnations, particularly of young chickens. Poultry raising and marketing practices result in rather homogenous lots in which disease incidence is either quite low or fairly high—allowing a differentiation between "good" and "bad" lots. In addition, with the current state of knowledge and detection capabilities, it appears likely that most causes of condemnation have little human health significance.

Under the concept developed by the Booz, Allen team, inspection would focus on "bad" lots of poultry—while all birds would continue to be inspected by either MPI inspectors or an industry inspection crew. Under certain conditions, a plant screening crew would prescreen the birds to be examined by MPI—offering a double check. However, "good" lots would be examined by MPI officials on a continuous sampling basis, with the rest of the birds in the lot checked by trained plant employees—in effect, another form of 100 percent inspection.

Under the specifics of the system, there are three inspection modes:

Mode A: All birds are inspected by trained plant inspectors and MPI inspectors who reinspect a specified fraction of the birds to verify. (Greater than 100 percent inspection.)

Mode B: A fraction of the birds are inspected by MPI inspectors. The rest are inspected by industry inspectors. (100 percent inspection.)

Mode C: All birds are inspected by MPI inspectors. The plant may preinspect some or all of the birds. (At least 100 percent inspection.)

Every new lot, made up of a homogenous flock, begins in Mode A, unless the more stringent Mode C has been in effect in the plant.

The plant may switch to Mode B from Mode A after a predetermined number of consecutive birds have been inspected and passed, indicating that the lot is relatively free of condemnable disease conditions. If the MPI inspector finds a condemnable carcass while the plant is in Mode A, then MPI inspectors begin looking at every bird (the system switches to Mode C).

While the system is operating in Mode B, with 100 percent inspection performed by a combination of MPI and plant inspectors, if an MPI inspector condemns a carcass, the system returns to Mode A where some double checking takes place. At that time, all birds that had passed the inspection station since the last bird was inspected and passed are set aside for reinspection by MPI inspectors.

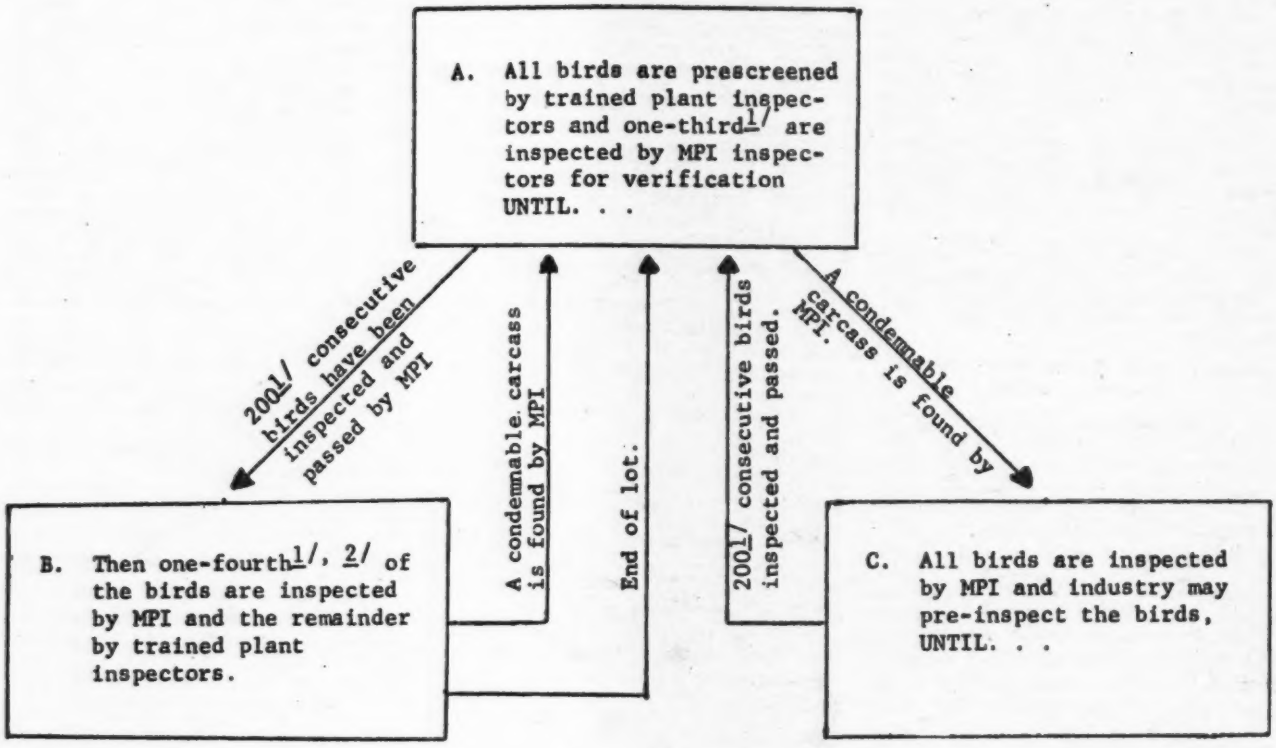
While the system is in Mode C, or 100 percent MPI inspection, if a predetermined number of consecutive birds are passed by MPI inspectors, the system may return to Mode A.

Exhibit 1 illustrates the workings of the proposed system.

The system incorporate incentives to the plant that are beneficial to the consumer. Mode C is initiated when ineffective plant inspection is detected by MPI personnel. Since line speeds slow down considerably in this mode, there is incentive for effective plant inspection. Since productivity can be highest under Mode B, there is incentive to provide healthy animals for slaughter to enable the plant to qualify for that mode.

EXHIBIT 1

Bi-Level Poultry Postmortem Inspection


A. All birds are prescreened by trained plant inspectors and one-third[1] are inspected by MPI inspectors for verification UNTIL. . .
200[1] consecutive birds have been inspected and passed by MPI
A condemnable carcass is found by MPI
End of lot.
200[1] consecutive birds inspected and passed.
A condemnable carcass is found by MPI.
B. Then one-fourth[1], [2] of the birds are inspected by MPI and the remainder by trained plant inspectors.
C. All birds are inspected by MPI and industry may pre-inspect the birds, UNTIL. . .

[1] Numbers are for expository purposes. Actual numbers may be quite different.

[2] Fraction of birds inspected by MPI in Modes A and B may be the same.

Plants may provide their own inspectors to maximize productivity. Line speeds currently are constrained by the number of MPI inspectors. But under Modes A and B, the plant can increase its line speeds by adding plant inspectors. The plant, however, could not use more than eight of its inspectors to one MPI inspector to assure adequate verification sampling.

The Booz, Allen report predicted that the proposed system would prove to be more effective than the current system because it provides for some duplicate inspection. The study noted that no system is 100 percent effective—past estimates have suggested an error rate of perhaps 1.0 to 1.5 percent for the current system. Under the proposed system, there is actually double screening at some points and 100 percent inspection is always in effect in some manner, even when an MPI inspector is only sampling. Thus, the new concept potentially offers improved effectiveness.

This system, similar to that proposed for processing inspection, transfers some costs and responsibilities from MPI to the industry. It would require training of plant employees to function as effective inspectors. Some physical changes in line layout may also be required.

According to the report, a substantial reduction in MPI costs for poultry inspection could result from implementation of the bi-level approach. Currently, poultry inspection absorbs a sizeable share of the MPI budget—about $32 million in fiscal year 1976, or 15 percent of the total expenditures. It was estimated that the costs for poultry inspection could be cut by 25 percent, with a projected 40 percent reduction in on-line inspection. If the system is adopted by 1980, this would result in a projected savings of nearly $50 million (in 1976 dollars) by 1985.

Any change from 100 percent MPI inspection would require an amendment to the Wholesome Poultry Products Act of 1968. In view of the legislative action required and the administrative adjustments needed by both MPI and industry, the report recommended gradual implementation preceded by extensive field testing.

ANTE-MORTEM INSPECTION OF RED MEAT—A MONITORING SYSTEM

A more flexible anti-mortem inspection system that permits MPI to focus most of its inspection on questionable animals was recommended ni the Booz, Allen report.

Formerly discretionary, anti-mortem inspection was made mandatory by the Wholesome Meat Act of 1967. As presently conducted, however, such inspection appears to have little measureable impact on total inspection results. Little flexibility is permitted under the law to improve the efficiency of the process, and the inspection effort invested appears relatively high in terms of the number of defects found.

Condemnation data listed in the study indicated that only a small faction of the red meat animals offered for slaughter, which are not already dead or dying, are condemned during anti-mortem inspection—only one animal per 20,000.

The cost of ante-mortem inspection was estimated to be nearly $2 million—resulting in a cost of $5.24 to locate each defective animal. With very limited exceptions, those animals condemned on ante-mortem inspection would also be removed from the food chain on post-mortem inspection.

The consulting firm concluded that ante-mortem inspection has value and should not be eliminated. In the absence of any other responsible group in the United States, MPI must continue to meet the responsibility for disease detection. However, there is a need for more flexibility in the legislation to enable changes in procedures that will retain the intent while allowing for more efficient use of scarce resources.

Booz, Allen recommended that the program be modified to allow MPI to concentrate inspection time on classification and disposition of defective animals—the most difficult of inspection activities and the one of most significance to consumers. The proposed system would require the packer to separate the questionable animals, but MPI officials would no longer be required to examine every animal. MPI would reserve the right to inspect any animal, however, and would inspect all abnormal animals, as well as monitor closely the screening process.

Although industry efforts would increase under the system, the industry would benefit from the proposed elimination of reimbursable overtime—overtime charged to the industry—for ante-mortem inspection. Any overtime needed for this activity would be administrative under the proposed system.

The major benefit of this change would be the flexibility it provides to MPI. The marginal potential cost avoidance which would result—$3.7 million through 1985—should not be a factor in a decision to adopt this recommendation, the study stated.

The modification of the current system would require revision of the Federal Meat Inspection Act. Time for gradual changeover to the new system should be provided, the consulting firm suggested, after legislative changes are enacted.

POST-MORTEM INSPECTION OF RED MEAT—IMPROVED PROCEDURES

Determing that the relatively pervasive disease incidence of red meat animals precluded the use of a sampling system for post-mortem red meat inspection, the Booz, Allen team recommended revised procedures, as developed by an MPI task force, which would result in a projected cost avoidance of over $22 million by 1985.

A sampling procedure was not considered appropriate for red meat animals because they are raised in a variety of environments and cannot be sorted into "good" or "bad" lots. Disease rates are relatively high and the defects include several high risk conditions. Since post-mortem inspection of red meat animals accounts for 23 percent of total MPI costs, other means of improving the system were explored.

In March 1977, MPI convened a Technical Study Group to develop recommendations in the area of post-mortem inspection for the Booz, Allen study. The recommendations, incorporated into the consulting firm's report (appearing in full as Appendix D to Volume II), outlined a set of pared down basic procedures for past-mortem inspection of each species. Along with these are lists of expanded procedures for specific conditions which may be added as needed. Since each expanded procedure is separate and defined, MPI can calculate the effort—and cost—involved in implementing expansion steps.

Only those steps deemed appropriate to the type of animal and area of origin would actually be performed under the new system. In some instances, only a basic procedure need be performed. In others, such as inspection for tuberculosis, an expanded procedure is always recommended.

The Study Group report also made note of the fact that "contamination" has become a leading defect reported at post-mortem inspection. This is actually a condition produced during slaughter rather than an abnormality present in the animal before slaughter and should be a plant responsibility.

The report recommended that major MPI emphasis be placed on solving the issue of how inspection effort should be devoted to preventing dressing defects leading to contamination. After field investigation, the program should place primary regulatory emphasis on correction of defective processes rather than after-the-fact detection of damage. MPI should also make sure that the criteria for "contamination" are realistic in terms of consumer protection.

The changes in procedure would create a need for improved systems for compiling, analyzing and distributing information to assist in keying post-mortem procedures to changing situations. The improved information systems should include cost studies of post-mortem procedures since this would help in deciding among alternative procedures.

As a result of changing industry technology and the increasing opportunity for assignment as the sole inspector at a plant, the post-mortem inspector should have additional educational background. Minimum entry requirements of a high school degree, including courses in physical and biological sciences, would be a step in this direction. The report recommended that some educational background be permitted to substitute for the now-required 3 years of experience in the industry.

Some of the recommendations will require field study. Since the revised procedures require no legislative change, however, Booz, Allen estimated implementation could be achieved by 1978. A cost avoidance of $22 million (in 1976 dollars) through 1985 was projected, resulting from the reduction in inspection time required for each animal.

MANAGEMENT ACTIVITIES—AN INTEGRATED MANAGEMENT SYSTEM

The Booz, Allen team found some long-standing problems with MPI management and information systems that need to be corrected before the firm's technical proposals can be implemented fully. MPI has already begun efforts to deal with some of the problems, as it is in the process of updating its work standards and improving its data systems. The consultant's review of management activities within the Program was taken to support and complement the internal effort.

A basic problem, according to the study, is that accurate updated information generated by the Program does not always filter back to the proper levels of management in a usable form so that informed decisions can be made. Data from the lowest point in the organization, the plant, should flow up to headquarters and then back down to the area level, the firm recommended. Thus, the Program could know exactly how monies are being spent, relating expenditures to factors such as pounds of animals inspected, type of animal, type of plant, etc. The data should be provided to management at all field levels, since field managers currently make resource decisions with little feedback on the impact of their actions.

In addition, to better coordinate all aspects of decisionmaking, the report suggested that MPI develop a set of formal procedures to guide the basic management functions of planning, program development, budget formulation, and program execution. This integrated management system should express the essential linkages among these activities, involve the active and expanded participation of key field managers, and be supported by the new information system now being developed.

Regional Directors should play a major role in development of policy for the entire inspection program, the study concluded, recommending that they report directly to the Deputy Administrator. In support of increased integration of related MPI field activities, it was also recommended that the Regional Directors be given the responsibility for monitoring compliance of allied industries. Information obtained through both inspection and monitoring of different points of the food distribution chain must be coordinated and available to the Regional Directors for effective corrective and enforcement actions.

The report also recommended that area managers become major participants in planning and budgeting activities for the Program. Areas will need to receive all key statistical and financial reports on their operations. Additional training and technical assistance from the headquarters staff will be required to better equip field managers to assume their increased responsibilities.

It is expected that the improvements in management and information systems can be made for the most part with existing departmental resources. Although

there is great potential for cost avoidance through the implementation of the changes, the consulting firm found it difficult to realistically quantify the savings at this stage of development.

The qualitative benefits are significant. The recommendations would greatly help MPI officials manage the Program's operations, providing management with the ability to respond to and plan for changing needs, allocate resources, and take concerted action with the knowledge of its effects on the entire Program.

MANAGEMENT STRUCTURES—REALIGNMENT OF FIELD MANAGEMENT

Another problem identified by the Booz, Allen team is the wide variation in workloads which exists among various field management levels. For example, the 34 MPI Areas range from one to four States and territories, include 3 to 21 Circuits, and cover 31 to 827 Federal plants. Similarly, the five Regional Offices include five to nine Areas, ranging from 833 plants to 2,550 plants.

The report urged that a clear set of guidelines be developed to realign field structures in order to equalize workloads. In addition, it recommended the elimination of the positions of Regional Moisture Controller. The study team found the positions amounted to little more than duplication of work already performed by Circuit Supervisors and in-plant inspection staff in poultry inspection.

These changes could result in a cost avoidance, in 1976 dollars, of nearly $18 million through 1985—assuming realignment by 1978. The potential improvement in organizational control and effectiveness, however, is of primary consideration in recommending the changes. The changes should result in greater inspection uniformity and improved communications in the field.

CROSS-UTILIZATION—EXPANSION WHERE POSSIBLE

Cross-utilization of Federal and State personnel was the one area in which the Booz, Allen report concluded that a national program is not viable. The firm recommended, however, that where conditions permit, cross-utilization should be encouraged as a less costly means of staffing plants.

Cross-utilization in the past, despite some existing opportunities, has been minimal. The major obstacle has been the relationship between State and Federal inspection systems created by the enabling legislation of the late 1960's. States are required to conduct programs that are "equal to" the Federal program, yet State inspected product cannot move out of that State. During fiscal year 1976, cross-utilization involved only 3 percent of the total Federal man-years of inspection, or 320 man-year equivalents, almost all of which was through Talmadge-Aiken agreements.

It was estimated that opportunities to expand cross-utilization might represent as much as 15 man-years per State. With the Federal Government receiving about three-quarters of the savings, MPI could save over $1.4 million under maximum conditions. This would result in a cost avoidance of less than 1 percent of MPI expenditures for inplant inspection.

Numerous constraints to cross-utilization more than balance off the small benefits which might be derived. The problems include Civil Service policies, resistance of employee organizations, supervisory concerns, and differences in Federal and State inspection programs.

The consulting firm recommended, however, that cross-utilization should be encouraged where conditions permit. It also called on the Department to analyze existing policies related to State programs. The policy issue involving State cooperative inspection systems revolves around whether the Department wishes to "encourage" such systems or "allow" such systems to exist. Existing legislation and regulations "allow" for such systems.

If the Department wishes to "encourage" these systems, however, the legislation must be changed to permit interstate sale of State inspected product. In addition, changes in Talmadge-Aiken legislation should be made to provide economic incentives for States. The Department should consider raising Talmadge-Aiken funding from 50 percent to 80 percent Federal monies and to permit States to make the final decision on whether to allow a plant to ship interstate. These changes require Congressional approval.

Exhibit 2 summarizes the benefits which can be derived from each of the recommended changes.

PROGRAM CHANGE AFFECTED BY SEVERAL FACTORS

In Volume III, the consulting firm outlined several factors which have contributed to MPI's current problems and which must be considered in future attempts to make program changes.

A major factor playing a repeated role in the study findings is uncontrolled growth due to continuing State designations. This results in increased workloads, with the Program at the same time facing pressures to hold down Federal expenditures.

The second factor is the lack of appropriate, accessible and detailed information on the current system that can be integrated into the budgeting, resource allocation and other management processes to support management decisionmaking. Development of improved management and information systems will have an impact on MPI's ability to implement the technical proposals recommended in the report.

EXHIBIT 2.—*Summary of benefits to consumers, industry, MPI by recommended areas of change, recommended areas of change*

	Interest group		
	Consumers	Industry	MPI
A monitoring system of processing inspection.	Improved product consistency without an anticipated increase in purchase price through improved industry quality assurance and greater enforcement capabilities through a progressive penalty system. More efficient use of Federal tax dollars.	Improved product control and greater flexibility to expand production in plants with consistently good compliance records. Some potential decrease in overtime costs.	Improved information and control mechanisms to more objectively monitor industry compliance and greater enforcement capabilities to take the economic gain out of noncompliance. Potential cost avoidance of $117,000,000 through 1985 (in 1976 dollars).
Bi-level postmortem poultry inspection.	Improved quality assurance through more effective inspection. Potential increased poultry supply without an increase in purchase price. More efficient use of Federal tax dollars.	Increased flexibility to increase line speeds where good lots are received and industry inspection is effective. Some potential decrease in overtime costs.	More efficient utilization of inspection personnel with potential cost avoidance of $50,000,000 through 1985 (in 1976 dollars).
A monitoring system of antemortem red meat inspection.	More efficient use of Federal tax dollars with an equivalent assurance of protection from health risk and economic fraud.	Elimination of overtime costs.	More efficient utilization of inspection personnel with potential cost avoidance of $3,700,000 through 1985 (in 1976 dollars).
Revised postmortem red meat inspection.	....do....	Less time-consuming inspection per animal with improved potential for increased line speeds. Some potential decrease in costs for reimbursable overtime.	More efficient utilization of inspection personnel with potential cost avoidance of $22,000,000 (in 1976 dollars) assuming many instances will occur whereby inspectors can be removed from existing assignments to be used elsewhere.
Revised management and information system.	More efficient use of Federal tax dollars.	Improved inspection uniformity and access to decisions lower in the organization.	Improved data base from which to conduct planning, budgeting, and evaluation. Improve resource allocation system with long-run cost avoidance: more participative management and improved supervisory system.
Revised management structures.	....do....	....do....	Better equalization of workloads with improved communications and uniformity of policy interpretation. Potential cost avoidance of $18,000,000 through 1985 (in 1976 dollars).
Cross-utilization of Federal and State inspection personnel.	....do....	Greater uniformity in Federal and State regulatory interpretations. Some potential decrease in overtime costs.	More efficient utilization of Federal and State resources with some resultant cost avoidance. Greater harmony between Federal and State inspection programs.

A third constraint relates to Federal legislation which hampers MPI's ability to adapt inspection to changing technologies. Program changes by the Department in the past have been confined to less significant areas because of the need for legislative approval of major changes. Greater discretionary authority must be added to meat and poultry inspection legislation, the report urged.

Any solution to MPI's problems must be balanced by the concerns of the many groups affected by the program. The Department must clearly understand the interests of consumers, industry, employee unions and Congress before changes are made.

The report documented the concerns of the various interest groups and recommended that representatives from every sector play a large role in efforts to implement the study recommendations.

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